



İstanbul Takas ve Saklama Bankası A.Ş.

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UNCONSOLIDATED

INTERIM ANNUAL REPORT

İstanbul Takas ve Saklama Bankası A.Ş. 2017 I. Interim Period Annual Report

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Chairman of the Board of Director's Evaluation regarding the Operating Period

Perpetually developing its service scope day by day within the framework of the big transformation of Turkish capital markets, Takasbank continues to contribute to the enhancement of Turkish capital markets to have a stable and sustainable structure.

Due to the moderation of post-election uncertainty in the US economy as of the end of January 2017; financial markets volatility decreased and global economic business took on a favourable trend in general. US Federal Reserve (FED) increased the interest rates in March for the second time due to the gradual recovery in the US economy as well as the support of the global economic outlook. Capital inflows being interrupted as of 2016 year-end and tended towards the developed economies resumed as of the end of January due to the reducing of uncertainty put on the global economy by the FED economic policies. In the aforementioned period, similar to the other developing economies, portfolio inflow is monitored at equity and debt securities markets in Turkey. Deterioration occurred in inflation indicators due to the increase in commodity prices and devaluation in TL. Central Bank of the Republic of Turkey /CBRT) answered with tightening steps in the monetary policy in order to avoid the deterioration in price movements. On the other hand, macro preventive policies are implemented alongside finance policies and contributed to the economic growth and financial stability by keeping credit growth alive via public finance incentives.

Our bank completed a successful 2017 first quarter financial period, our pre-tax profit being realized as 75.4 million TL, total assets as 9.8 billion TL and shareholder equity as 1.1 billion TL.

Takasbank perpetually continues its practices in order to provide its services in a more swift, efficient and uninterrupted manner. Clearing and settlement software configuration process is going on within the framework of the agreement signed between our controlling shareholder Borsa Istanbul and Nasdaq OMX, being one of the major global exchanges as well as being a technology leader. Subsequent to equity market transactions migration to the BISTECH platform, Futures and Options market migration process to the platform is successfully completed on March 2017. Process regarding the migration of Debt Securities and precious metals and Diamond markets is still continuing.

Being conscious of the vital importance of the success of "Istanbul International Finance Center" project being contingent upon our markets to be an integrated element of international finance web as well as having an institutional competence able to fulfil the expectations of global investors; Takasbank will persistently embark upon the development practices of its CCP services in the incoming periods.

On behalf of the Board of Directors and myself, I would like to extend my sincere thanks to our stakeholders, particularly our employees and managers playing a role in the successful performance of our bank in this period.

Best regards,
Osman Saraç
Chairman of the Board of Directors

CEO's Evaluation regarding the Operating Period

Throughout the first quarter of 2017, our bank continued its efficient and effective progress for Turkish capital markets and customers and showed a successful performance.

Evaluating the 2017 first quarter financial results of our bank, it is observed that a pre-tax profit of 75 million TL is obtained. The aforementioned tax result points out a profit being 14% higher than the projected budgeted amount. Also, our total assets are realized as 9.8 billion TL.

Throughout the period, a total of 2,518 billion TL transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, 5.8 billion TL are corporate bond transactions. As a result of multilateral netting process in the Takasbank system, Takasbank executed cash settlement with a value of 401,9 billion Turkish lira and securities settlement with a market value of 1,281 billion Turkish lira.

Total number of members in the Futures and Options Market (VIOP) was 72 as of 31 March 2017. In the same period, the number of open positions in VIOP reached 1,709,179 with a market value of 6.3 billion Turkish lira.

Throughout the period, Takasbank cash credit volume reached a daily average volume of 85 million TL with the active utilization of 8 brokerage houses.

At Takasbank Money Market (TMM), trading volume in the quarterly period reached 130.5 billion Turkish and transaction number was 55.493. Daily average trading volume was realized as 2 billion TL and average transaction size was 2,4 billion TL

At Takasbank Securities Lending Market at which CCP service is provided, a total of 881,6 million transactions are executed in the quarterly period. In this market, 226 different type of securities were subject to the transactions and the trading volume was realized as 3.3 billion TL.

As of 31 March 2017, 18 private pension companies held 300 private pension funds with Takasbank having a total asset value of 65.3 billion TL. At the same period, 445 mutual funds had a total asset value of 46.6 billion TL and 10 mutual trusts had a total asset value of 4,378 million TL.

With the belief that our employees having a big role in the high performance of our bank will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone having a labour in this success.

Best regards,

Mahmut Kayacık
CEO and Board Member

Bank's Historical Development

The Bank was originally set up as a department of the Borsa İstanbul Inc. (“BİAŞ”) and, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the resolution in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. (Istanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank has a paid-in capital of 600 million TL. The bank has 47 shareholders with Borsa İstanbul having 63.04%, 13 banks having 17.78 % and 33 brokerage houses having 19.18% of shares.

<u>Shareholder Name</u>	<u>Paid-in Capital (Thousand TL)</u>	<u>Capital ratio (%)</u>
Borsa İstanbul A.Ş.	378,242	63.04
Tacirler Menkul Değerler A.Ş.	27,971	4.66
Phillip Capital Men. Değerler A.Ş.	27,923	4.65
Yapı Kredi Yatırım Men. Değ. A.Ş.	26,280	4.38
Türkiye Garanti Bankası A.Ş.	26,235	4.37
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (40)	60,879	10.16
TOTAL	600,000	100.00

Titles and Shares of the Real or Legal Persons having more than 10% of the capital:

<u>Business Name</u>	<u>Share Amount (Thousand TL)</u>	<u>Ratio(%)</u>
Borsa İstanbul A.Ş.	378,242	63.04

Share transfers of the shareholders within the reporting period:

<u>Old Shareholder</u>	<u>New Shareholder</u>	<u>Cost of Share (thousand TL)</u>	<u>Ratio (%)</u>	<u>Description</u>
Global Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	4,500	0.7500	Transfer
Taksim Yatırım A.Ş.	Borsa İstanbul A.Ş.	90	0.0150	Transfer
Kapital Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0.0086	Transfer
UBS Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0.0085	Transfer
Pay Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0.0030	Transfer
Galata Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	6	0.0011	Transfer
Alfa Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	10	0.0017	Transfer

Branch and Personnel Information

The Bank has a total of 246 employees and does not have any branches. The Bank is operating as Head Office.

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility
Osman Saraç	President
Adnan Ertürk	Member (Vice President and Member of Corporate Management Committee)
Serdar Satoğlu	Member (President of Audit Committee)
Feridun Bilgin	Member (Corporate Management Committee Member and Credit Committee Associate Member)
Mahmut Kayacık	General Manager and Member (President of Credit Committee)
Selim İnce	Member (Member of Audit Committee)
Güzide Meltem Kökden	Member (Credit Committee Permanent Member)
Ekrem Kerem Korur	Member (Credit Committee Permanent Member)
Mustafa İleri	Member (Credit Committee Associate Member)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Mahmut Kayacık	General Manager and Member (President of Credit Committee)
Gökhan Elibol	Executive Vice President – Operations Department
Aydın Sarı	Vice General Manager Banking, Support and Financial Operation
Ekrem Arıkan	Vice General Manager – IT Departments

Pursuant to the resolution of 23 January 2017 dated Board of Directors meeting, Cengiz Özübek, Executive Vice President responsible from banking, support services and financial transactions left his post and appointed as Board and CEO Advisor.

Pursuant to the resolution of 22 February 2017 dated Board of Directors meeting, Aydın Sarı, Executive Vice President responsible from banking, support services and financial transactions left his post and no one is appointed for this post.

Information Related to Transactions the Bank Performs Conducts with its Risk Group

Within the scope of the transactions executed with its risk group, the transactions executed with the bank's major shareholder Borsa Istanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are

taken into account. As of the first quarter of 2017, stock guarantee fund with an amount of 1,113 thousand TL and debt securities guarantee fund with an amount of 393 thousand TL are present in the "Miscellaneous Payables" item.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of Turkish Lira (Thousand TL))		Other entities included in the risk group (Thousand TL)	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Opening Balance at the beginning of the period	-	-	98,945	2,783,755	70,038	-
Closing Balance at the end of the period	-	-	102,274	2,473,354	70,024	-
Received Interest and Commission Income	258	-	4,693	4,391	444	-

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	MARCH 2017	DECEMBER 2016	CHANGE	RATIO
CASH AND BALANCES WITH CENTRAL BANK	87	85	2	2.35
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	1,170	1,158	12	1.04
BANKS	9,468,214	7,715,925	1,752,289	22.71
MONEY MARKETS	20,964	21,168	(204)	-0.96
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	1,743	1,714	29	1.69
LOANS	106,776	98,945	7,831	7.91
HELD-TO-MATURITY SECURITIES (Net)	96,699	45,943	50,756	110.48
SUBSIDIARIES	4,825	4,825	-	0.00
PROPERTY AND EQUIPMENT (Net)	14,907	15,535	(628)	-4.04
INTANGIBLE ASSETS (Net)	85,506	85,005	501	0.59
TAX ASSETS	-	1,179	(1,179)	-100.00
OTHER ASSETS	12,819	14,866	(2,047)	-13.77
TOTAL ASSETS	9,813,710	8,006,348	1,807,362	22.57

LIABILITIES (Thousand TL)	MARCH 2017	DECEMBER 2016	CHANGE	RATIO
FUNDS BORROWED	2,694,183	2,400,430	293,753	12.24
MONEY MARKET	91,800	43,800	48,000	109.59
MISCELLANEOUS PAYABLES	5,825,422	4,376,394	1,449,028	33.11
OTHER LIABILITIES	28,463	68,780	(40,317)	-58.62
PROVISIONS	52,498	55,340	(2,842)	-5.14
TAX LIABILITY	17,797	17,918	(121)	-0.68
SHAREHOLDERS' EQUITY	1,103,547	1,043,686	59,861	5.74
TOTAL LIABILITIES	9,813,710	8,006,348	1,807,362	22.57

INCOME STATEMENT (Thousand TL)	MARCH 2017	DECEMBER 2016	CHANGE	RATIO
INTEREST INCOME	81,485	79,447	2,038	2.57
INTEREST EXPENSE (-)	15,220	12,228	2,992	24.47
NET INTEREST INCOME/EXPENSE	66,265	67,219	(954)	-1.42
NET FEES AND COMMISSIONS INCOME/EXPENSE	34,548	25,527	9,021	35.34
DIVIDEND INCOME	30	6,177	(6,147)	-99.51
TRADING INCOME/(LOSS) (Net)	351	-382	733	-191.88
OTHER OPERATING INCOME	214	4,622	(4,408)	-95.37
TOTAL OPERATING INCOME/EXPENSE	101,408	103,163	(1,755)	-1.70
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	3,171	2,502	669	26.74
OTHER OPERATING EXPENSES	22,813	20,701	2,112	10.20
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	75,424	79,960	(4,536)	-5.67
TAX PROVISION	-15,727	-14,380	(1,347)	9.37
NET INCOME/(LOSS)	59,697	65,580	(5,883)	-8.97

FINANCIAL RATIOS	MARCH 2017	DECEMBER 2016
Operating Income / Total Assets	0.77	1.00
Shareholders Equity / Total Assets	11.24	13.04
Operating Income / Shareholders Equity	6.83	7.66
Net interest revenue / Operating revenue	65.34	65.16

Total asset size being 8,006,348 thousand TL as of 2016 year-end reached to 9,813,710 thousand TL as of the end of March 2017. Banks item being the highest amount among the asset items increased from 7,715,925 thousand TL to 9,468,214 thousand TL and recorded an increase of 23%.

Miscellaneous Payables item taking an important place among the liability items increased from 4,376,394 thousand TL as of the previous year-end to 5,825,422 thousand TL and recorded an increase of 33%. Also funds borrowed increased from 2,400,430 thousand TL to 2,694,183 thousand TL and recorded an increase of 12%.

Bank's credit portfolio increased by 8% and reached to 106,776 thousand TL'ye from 98.945 thousand TL

Also Money Market Payables item increased by 109% and reached to 91,800 thousand TL from 43,800 thousand TL

The Bank obtained a pre-tax profit of 75,424 thousand TL and a post-tax profit of 59,697 thousand TL as of 2017 1st quarter end.

Of 81,485 thousand TL interest revenue obtained as of the end of March 2017; 77.107 thousand TL is obtained from banks, 1,948 thousand TL from securities and 2,351 thousand TL from the interest earned from loans. Total interest expense regarding this period is realized as 15,220 thousand TL

The bank earned 37,612 thousand TL commission revenue as the result of the services provided and paid a commission of 3,064 thousand TL for TL and FX money transfer transactions. Net fee and commission income is realized as 34,548 thousand TL as of the end of March 2017.